

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7107**

**BILL NUMBER: HB 1811**

**DATE PREPARED:** Jan 22, 2001

**BILL AMENDED:**

**SUBJECT:** Motor Fuel Taxes and Highway Funding.

**FISCAL ANALYST:** James Sperlik

**PHONE NUMBER:** 232-9866

**FUNDS AFFECTED:** X

X

**GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill deletes provisions stating that certain funding for the State Police Department (SPD) and Bureau of Motor Vehicles (BMV) is payable from the Motor Vehicle Highway Account (MVHA). It provides that sales taxes on motor fuel are to be deposited in the Motor Vehicle Highway Account. The bill increases the Gasoline Tax to 16 cents per gallon on July 1, 2002, and 18 cents per gallon on July 1, 2003. It increases the Special Fuel Tax to 17 cents per gallon on July 1, 2002. The bill provides that the increased revenue from the increase in the Gasoline Tax rate and Special Fuel Tax rate is to be deposited in the Motor Vehicle Highway Account. It makes conforming changes.

**Effective Date:** July 1, 2001; July 1, 2002.

**Explanation of State Expenditures:** This proposal may require administrative changes within the Department of Revenue and the State Auditor's office. Any expenditures are expected to be minimal and to be covered using existing staff and resources.

**Explanation of State Revenues:** This bill provides that the sales tax on motor fuels is to be deposited into the Motor Vehicle Highway Account (MVHA). In addition, the expenditures paid from the MVHA associated with the State Police Department and minor expenses from the BMV will now be paid from the state General Fund. The additional revenue to the MVHA and the reduced expenditures for FY 2002 are provided in the following table.

**FY 2002 Impact (Effective Date - 7/1/01):**

<u>Changes</u>	<u>Local Share</u>	<u>State Share</u>	<u>Total to MVHA</u>
Sales Tax on Motor Fuels to the MVHA	\$63.83 M	\$71.97 M	\$135.80 M
SPD out from MVHA	<u>\$22.03 M</u>	<u>\$24.84 M</u>	<u>\$46.87 M</u>
Total	\$85.86 M	\$96.81M	\$182.67 M

Due to the timing of remittance and posting of motor fuel sales tax revenue, however, a portion of the revenue generated during FY 2002 may not be available for distribution until FY 2003.

Currently, the sales tax on motor fuels is distributed in the following manner: 59.03% to the State General Fund, 40% to the Property Tax Replacement Fund, 0.76% to the Public Mass Transportation Fund, 0.04% to the Industrial Rail Service Fund, and 0.17% to the Commuter Rail Service Fund. Revenues to these funds will decrease in the new distribution scheme. The following table shows the estimated loss of revenue for each fund under the new distribution provision for FY 2002.

<u>Fund</u>	<u>Amount</u>
State General Fund	\$80.17 M
Property Tax Replacement Fund	\$54.32 M
Public Mass Transportation Fund	\$1.03 M
Industrial Rail Service Fund	\$.05 M
Commuter Rail Service Fund	<u>\$.23 M</u>
Total	\$135.80 M

In addition, the state General Fund will pay the expenses of the State Police Department of \$46.87 M along with minor expenses for the BMV for FY 2002.

Recipients of distributions from the Motor Vehicle Highway Account include the Indiana Department of Transportation (INDOT) (53% of the remainder of the MVHA fund), while counties receive 32%, and cities and towns receive 15%. These entities will gain under the new distribution provision. From the increased revenues and reduced expenditures from the MVHA of \$182.67 M, INDOT is estimated to gain \$96.82 M, counties \$58.45 M, and cities and towns \$27.4 M.

In addition to the changes described above for FY 2002, the Gasoline Tax and the Special Fuel Tax are both increased by \$0.01 per gallon with the new revenues being deposited into the MVHA for FY 2003. The Gasoline Tax is increased another \$0.02 per gallon for FY 2004 with the additional revenue being deposited into the MVHA.

**FY 2003 Impact (Effective Date - 7/1/02):**

<u>Changes</u>	<u>Local Share</u>	<u>State Share</u>	<u>Total to MVHA</u>
Sales Tax on Motor Fuels to the MVHA	\$67.07 M	\$75.63 M	\$142.70 M
SPD out from MVHA	\$22.03 M	\$24.84 M	\$46.87 M
\$0.01 Gas Tax Increase to MVHA (\$0.16 Total)	\$15.89 M	\$17.91 M	\$ 33.80 M
\$0.01 Special Fuel Tax Increase to MVHA (\$0.17 Total)	<u>\$ 5.10 M</u>	<u>\$ 5.80 M</u>	<u>\$ 10.90 M</u>
Total	\$110.09 M	\$124.18 M	\$234.27 M

Due to the timing of remittance and posting of motor fuel sales tax revenue, a portion of the revenue generated during FY 2003 may not be available for distribution until FY 2004.

The following table shows the estimated loss of revenue on each fund under the new distribution provision for FY 2003.

<u>Fund</u>	<u>Amount</u>
State General Fund	\$84.24 M
Property Tax Replacement Fund	\$57.08 M
Public Mass Transportation Fund	\$1.08 M
Industrial Rail Service Fund	\$.06 M
Commuter Rail Service Fund	<u>\$.24 M</u>
Total	\$142.7 M

In addition, the state General Fund will pay the expenses of the State Police Department of \$46.87 M for FY 2003 along with minor expenses of the BMV.

From the increased revenues and reduced expenditures from the MVHA of \$234.27 M, INDOT is estimated to gain \$124.16 M, counties \$74.97 M, and cities and towns \$35.14 M.

**FY 2004 Impact (Effective Date - 7/1/03):**

<u>Change</u>	<u>Local Share</u>	<u>State Share</u>	<u>Total to Highways</u>
Sales Tax on Motor Fuels to MVHA	\$71.01M	\$80.08 M	\$151.10 M
SPD out of MVHA	\$22.03 M	\$24.84 M	\$46.87 M
\$0.03 Gas Tax Increase to MVHA (\$0.18 Total)	\$50.48 M	\$56.92M	\$107.40 M
\$0.01 Special Fuel Tax Increase (\$0.17 Total)	<u>\$ 5.45 M</u>	<u>\$ 6.15 M</u>	<u>\$ 11.60 M</u>
Total	\$148.97 M	\$167.99 M	\$316.97 M

Due to the timing of remittance and posting of motor fuel sales tax revenue, however, a portion of the revenue generated during FY 2004 may not be available for distribution until FY 2005.

The following table shows the estimated loss of revenue on each fund under the new distribution provision for FY 2004.

<u>Fund</u>	<u>Amount</u>
State General Fund	\$89.19 M
Property Tax Replacement Fund	\$60.44 M
Public Mass Transportation Fund	\$1.14 M
Industrial Rail Service Fund	\$.06 M
Commuter Rail Service Fund	<u>\$.25 M</u>
Total	\$151.10 M

In addition, the state General Fund will pay the expenses of the State Police Department of \$46.87 M for FY 2004.

From the increased revenues and reduced expenditures from the MVHA of \$316.97 M, INDOT is estimated to gain \$167.99 M, counties \$101.43 M, and cities and towns \$47.55 M.

[NOTE: The bill also requires that the State Police would now be funded from the State General Fund. The specific impact on the State General Fund in the future will depend upon the appropriations for the State Police. This note will be updated upon receipt of the recommended appropriations for FY 2002 and 2003.]

*Background:* Future sales tax collections on gasoline and special fuels are contingent upon the price and quantity of fuel consumed by motorists in Indiana. The above estimate for motor fuels is a projection based on historical consumption data provided by the Department of Revenue and projected fuel prices from the U.S. Department of Energy, Office of Energy Information. The data was adjusted for inflation and the expected growth in Indiana income. It is important to note that fluctuations in the price of gasoline will affect

the amount of sales tax collected.

It has been assumed that the amount each penny raises for the motor fuel tax and the special fuel tax tracks the estimated increases in the sales tax on motor fuels described above.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** See Explanation of State Revenues, above.

**State Agencies Affected:** State Police; Bureau of Motor Vehicles.

**Local Agencies Affected:** Recipients of the Motor Vehicle Highway Account distributions.

**Information Sources:** Department of Revenue; U.S. Department of Energy; U.S. Bureau of Labor Statistics; U.S. Census Bureau.